

# Transamerica High Yield Muni

Class A THAYX | Class I THYIX

## Investment Objective

The fund seeks to maximize total return through investment in medium- and lower-grade municipal securities that are exempt from federal income tax.

## Sub-adviser

Belle Haven Investments, L.P. (Belle Haven)



## Portfolio Manager

Matthew Dalton

## Product Profile

An actively managed strategy that seeks to identify inefficiencies in the municipal bond market with the goal of maximizing total return by investing primarily in medium-to-lower-grade fixed income securities

- ➔ Opportunistic and tactical management within municipal bond market
- ➔ Focus on achieving total return
- ➔ Tax-advantaged income

## Fund Facts

Inception Date (A-I)	07/31/13 - 07/31/13
Benchmark Index	Bloomberg Barclays High Yield Municipal Bond Index
Morningstar Category	High Yield Muni
Lipper Category	High Yield Municipal Debt Funds
Dividend Frequency	Monthly

## Market Overview

Municipal fund flows were positive once again in the third quarter of 2017. Hurricanes consumed headlines in late August and most of September, as the aftermath of Harvey and anticipation of Irma's and Maria's effect on the economy loomed large. Though U.S. Treasuries and munis rallied for most of the quarter, we saw momentum swing sharply midway through September. By the end of the month, yields began to climb, undoing the positive performance seen earlier in the month. Though there were no formal actions taken at this month's Federal Open Market Committee (FOMC) meeting, Chair Yellen continued her hawkish rhetoric, reiterating the U.S. Federal Reserve's plan to begin running off the balance sheet and continuing to raise rates, despite weak inflation data. Moreover, the Republican tax reform proposal was released in the last week of the month, putting additional pressure on U.S. Treasury and Municipal yields.

## Fund Overview

Transamerica High Yield Muni outperformed the index for the quarter, +1.72% versus +1.50%. Despite outperformance in both the second and third quarters this year, the fund still lags the index year-to-date, +7.54% versus +7.72%. The fund's underweight tobacco exposure has been a top contributor to performance year-to-date. Tobaccos had a strong year early on, which led to the fund's underperformance relative to the index in the first quarter. However, since late Q2 '17, tobaccos have lagged. The fund has made up some of its early underperformance due to it being underweight tobaccos by over 10% this quarter. Another contributing factor to the fund's outperformance this quarter is due to its over-weighting in the 7-8 year duration band relative to the index. That duration tenet was one of the top-performing segments of the market this quarter, and the fund was overweight by nearly 15%.

## Outlook

October is historically a high issuance month, and Belle Haven expects supply to be elevated in the short-term. With muni fund flows positive through September, the increased supply should be met with sufficient demand from the continued injection of cash into funds. Though the new tax reform proposal indicated several changes that could affect munis, most of the changes are not glaringly negative (nor positive) for the muni market. Should these changes take effect, Belle Haven believes the demand for munis will remain relatively unchanged, and in some instances, may increase within certain states or sectors. In the high yield space, Puerto Rico remains the top underperformer by far, year-to-date. Volatility in the name was exacerbated after comments made by President Trump hinted at "wiping out" the territory's debt. Belle Haven has been, and remain vigilant, in monitoring our exposure in the name and are ready to exploit any buying opportunity that arises from the disarray in the market.

All opinions, estimates, projections and security selections contained herein are those of the sub-adviser. It does not constitute investment advice and should not be used as a basis for any investment decisions.

**The performance data presented represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Please see [transamerica.com](http://transamerica.com) for performance data current to the most recent month-end. The investment return and principal value of mutual funds will fluctuate over time so that shares, when redeemed, may be worth more or less than their original cost.**

**This material was prepared for general distribution. It is being provided for informational purposes only and should not be viewed as an investment recommendation. If you need advice regarding your particular investment needs, contact your financial professional.**

The **30 day SEC Yield** is computed in accordance with a standardized method prescribed by rules of the SEC. The 30 day SEC Yield is computed by dividing the fund's investment income per share earned during a particular 30 day base period by the maximum offering price per share on the last day of the base period, and then annualizing the result. The 30 day SEC Yield is calculated at each month end and updated within the first ten business days of the following month. The subsidized 30 day SEC yield reflects the reimbursements or waivers of certain expenses. Had fees not been waived and/or expenses reimbursed, the yield would be lower. The unsubsidized 30 day SEC yield does not reflect reimbursements or waivers of expense fees.

**Not insured by FDIC or any federal government agency. May lose value.  
Not a deposit of or guaranteed by any bank, bank affiliate, or credit union.**

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## Top 10 Holdings

	% of Holdings
New York Counties Tobacco Trust VI, Series C, 3.75%, due 06/01/2045	2.78
Housing Development Corp., Series C1A, 3.45%, due 05/01/2050	2.25
City of Port St. Lucie, 3.25%, due 07/01/2045	2.20
County of Scioto, 3.50%, due 02/15/2038	1.79
East Chicago Sanitary District, 4.00%, due 07/15/2031	1.49
Western Illinois Economic Development Authority, 4.00%, due 06/01/2036	1.48
Western Illinois Economic Development Authority, 4.00%, due 06/01/2033	1.36
Housing & Redevelopment Authority of The City of St. Paul, Series A, 5.00%, due 07/01/2036	1.21
Sutter Butte Flood Agency, BAM, 3.50%, due 10/01/2030	1.19
City of Atlantic City, Series B, AGM, 4.00%, due 03/01/2042	1.15
<b>Percentage of total portfolio</b>	<b>16.90</b>

Holdings are subject to change and are not recommendations to buy or sell a security. Holdings excludes net other assets (liabilities).

## Fixed Income Statistics

Average Price	\$102.28
Average Maturity	10.26 years
Average Duration	7.15 years

Source: Belle Haven

**Net asset value (NAV) returns include reinvestment of dividends and capital gains but do not reflect the deduction of any sales charges. If a sales charge had been deducted, the results would have been lower. Public offering price (POP) returns include reinvestment of dividends and capital gains and reflect the maximum sales charge of 3.25%. Performance for other share classes will vary.**

**The gross expense ratios for this fund are 1.01% and 0.79% for Class A and Class I shares, respectively. The net expense ratios for this fund are 0.88% and 0.76% for Class A and Class I shares, respectively. Contractual arrangements have been made with the fund's investment manager, Transamerica Asset Management, Inc. (TAM), through March 1, 2018.**

Performance figures reflect any fee waivers and/or expense reimbursements by the Investment Manager. Without such waivers and/or reimbursements, the performance would be lower. Future waivers and/or reimbursements are at the discretion of the Investment Manager.

The Bloomberg Barclays High Yield Municipal Bond Index (BB High Yield Municipal Index) is an unmanaged index used as a general measure of market performance. It is not possible to invest directly into an index. Calculations assume dividends and capital gains are reinvested and do not include any managerial expenses.

Municipal bond prices can rise or fall depending on interest rates. Interest rates may go up, causing the value of the fund's investments to decline. All municipal bonds carry credit risk that the issuer will default or be unable to make timely payments of interest and principal. Generally, lower rated bonds carry more credit risk. High-yield bond (junk bonds) funds may be subject to greater volatility and risks as the income derived from these securities is not guaranteed and may be unpredictable and the value of these securities tends to decline when interest rates increases. The fund is classified as "non-diversified," which means it may invest a larger percentage of its assets in a smaller number of issuers than a diversified fund. To the extent the fund invests its assets in fewer issuers, the fund will be more susceptible to negative events.

**Before investing, consider the fund's investment objective, risks, charges, and expenses. Contact your financial professional or go to [transamerica.com](http://transamerica.com) for a prospectus and/or summary prospectus with this information. Read it carefully.**

Transamerica Funds are advised by Transamerica Asset Management, Inc. and distributed by Transamerica Capital, Inc.  
1801 California St. Suite 5200, Denver, CO 80202  
MQCHYM1017

## Total Return Performance (%)

	3 Mo	YTD	1 Yr	3 Yr*	5 Yr	10 Yr	Inception*
Class A (at NAV)	1.72	7.54	0.40	5.31	N/A	N/A	8.18
Class A (at POP)	-1.62	4.05	-2.89	4.16	N/A	N/A	7.32
Class I (at NAV)	1.76	7.75	0.72	5.49	N/A	N/A	8.40
BB High Yield Municipal Index	1.50	7.72	1.43	4.56	N/A	N/A	-

\* Average Annual Total Return

## Calendar Year Performance (%)

	2016	2015	2014	2013	2012	2011	2010
Class A (at NAV)	-0.60	6.40	17.23	N/A	N/A	N/A	N/A
Class I (at NAV)	-0.45	6.54	17.49	N/A	N/A	N/A	N/A
BB High Yield Municipal Index	2.99	1.81	13.85	N/A	N/A	N/A	N/A

There are no sales charges on Class I. Class I shares are primarily offered for investment to institutional investors including, but not limited to, fee-based programs, pension plans, and certain endowment plans and foundations.

## Risk Measures\*

3 years

Alpha	1.73
Beta	0.77
R-Squared	69.10
Standard Deviation	5.07

\*Risk measures are in comparison to the fund's primary benchmark unless otherwise indicated. Based on Class A shares at NAV for the 3-year period.

**Alpha** is a coefficient measuring the portion of a fund's return arising from specific (non-market) risk. Historical **Beta** illustrates a fund's sensitivity to price movements in relation to a benchmark index. **R-Squared** is a statistical measure that represents the percentage of a fund's movements that can be explained by movements in a benchmark index. **Standard Deviation** is a statistical measurement that helps to gauge the fund's historical volatility.

Average Maturity is computed by weighting the maturity of each security in the portfolio by the market value of the security, then averaging these weighted figures.

Average Duration is a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder.